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Annual Report of

STRAWBRIDGE & CLOTHIER

For the fiscal year ended January 31, 1954

STRAWBRIDGE & CLOTHIER

Philadelphia

1953 Annual Report to Shareholders

Board of Directors

ROBERT E. STRAWBRIDGE, *Chairman*

FREDERIC H. STRAWBRIDGE	DONALD C. MILLS
ISAAC H. CLOTHIER, JR.	ISAAC H. CLOTHIER, 3RD
FRANCIS R. STRAWBRIDGE	FRANCIS R. STRAWBRIDGE, JR.
J. CLAYTON STRAWBRIDGE	G. STOCKTON STRAWBRIDGE
DWIGHT G. PERKINS	ROBERT E. STRAWBRIDGE, JR.

Officers

ROBERT E. STRAWBRIDGE ..... *Chairman of the Board*
DWIGHT G. PERKINS ..... *Vice-Chairman and President*
G. STOCKTON STRAWBRIDGE ..... *Executive Vice-President*
ISAAC H. CLOTHIER, JR. ..... *Vice-President*
J. CLAYTON STRAWBRIDGE ..... *Vice-President and Secretary*
ISAAC H. CLOTHIER, 3RD ..... *Vice-President*
FRANCIS R. STRAWBRIDGE, JR. *Vice-President and Ass't Secretary*
DONALD C. MILLS ..... *Treasurer*
THOMAS G. PATTON ..... *Assistant Treasurer*

Transfer Agents and Registrars

GIRARD TRUST CORN EXCHANGE BANK, Philadelphia, Pa.

TRANSFER AGENT *for the $5 Cumulative Preferred Stock and*
REGISTRAR *for the Common Stock*

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THE PENNSYLVANIA COMPANY FOR BANKING AND TRUSTS, Philadelphia, Pa.

TRANSFER AGENT *for the Common Stock and*
REGISTRAR *for the $5 Cumulative Preferred Stock*

To Our Shareholders:

We respectfully submit to you our annual report for the year ended January 31, 1954. Also submitted are statements covering the year's results and the financial condition of Strawbridge & Clothier at the year end, certified by our public accountants, Ernst & Ernst.

Sales and Earnings

As a result of our expanded branch store operations, sales volume reached an all time high. Earnings were higher, amounting to $2.73 per share of Common Stock, compared with $2.60 the previous year, both amounts calculated on the number of shares outstanding at January 31, 1954. The number of shares outstanding at January 31, 1954 included a 5% stock dividend amounting to 31,619 shares, issued on March 19, 1953.

Prices remained relatively stable during 1953 and, as a result, the use of the approved LIFO basis of valuing inventories had a negligible effect on net earnings.

A comparative summary of important statistics follows:

	1953	1952	Increase Decrease*
Income before "Lifo" adjustment and taxes	$4,766,671	$4,452,335	$314,336
"Lifo" adjustment—decrease*	34,055*	164,925*	130,870*
Income before taxes	4,800,726	4,617,260	183,466
Taxes on income	2,583,000	2,474,000	109,000
Net Earnings	2,217,726	2,143,260	74,466
Cash Dividends on Preferred Stock	406,176	415,131	8,955*
Cash Dividends on Common Stock	663,892	632,310	31,582
5% Stock Dividend on Common Stock	31,619 shares	30,113 shares	
Earnings retained for use in the business	1,147,658	1,095,819	51,839

Financial Condition

The Company's financial condition improved this year as indicated in the following comparison of basic financial statistics:

	January 31, 1954	January 31, 1953	Increase Decrease*
Current Assets	$26,233,838	$24,770,841	$1,462,997
Current Liabilities	8,592,691	8,181,377	411,314
Ratio Current Assets to Current Liabilities	3.05 to 1	3.03 to 1	
Working Capital	17,641,147	16,589,464	1,051,683
Cash reserved for property expansion	1,600,000	0	1,600,000
Long-term Indebtedness	3,433,992	1,535,765	1,898,227
Preferred Stock	8,060,400	8,220,700	160,300*
Common Stock Equity	25,072,756	23,927,634	1,145,122
Book Value per Share of Common Stock on basis of outstanding shares at January 31, 1954	37.76	36.04	1.72

A new long-term loan agreement for a total of $6,000,000 was negotiated in October of 1953 with the Philadelphia National Bank and the Penn Mutual Life Insurance Company. As of January 31, 1954, $2,400,000 of this loan had been borrowed and the balance is to be taken by December 1, 1954. The loan agreement is for a period of fifteen years from December 1, 1954. Details of this new long-term loan agreement are contained in Note B following the Statement of Financial Condition.

The purposes of the new loan are:

(a) To provide for property expansion at our Jenkintown Store and the construction of a new service building on Filbert Street.

(b) To provide for the payment of the balance of approximately $1,000,000 on the old loan due on March 1, 1955.

After earmarking $1,600,000 for property expansion, our cash position as of January 31, 1954, was somewhat higher than the year previous.

Working capital of $17,641,147, together with the balance of $3,600,000 of our long-term loan to be taken in 1954, should be adequate to take care of planned capital improvements and operating requirements of our expanding business.

The ratio of current assets to current liabilities was 3.05 compared with 3.03 the year before. Quarterly dividends of $1.25 per share were paid on the $5 Cumulative Preferred Stock and quarterly dividends of 25¢ per share were paid on the Common Stock.

Sinking fund provisions of the $5 Cumulative Preferred Stock and installments due on the long-term note to banks, were paid during the year in accordance with the terms of the commitments.

Attention is directed to the fact that our merchandise inventories valued on the approved "Lifo" basis are stated at approximately $2,000,000 less than current replacement costs. This is a protection against the adverse effect of possible future declining price levels.

Improvements

We are pleased to report that on September 1, 1953, construction work began at our Jenkintown Store. The expanded area will be available for our 1954 Christmas Season with final completion scheduled for early Spring 1955. The selling areas will be increased nearly 100% and the original building will have been completely modernized.

Plans for improvement of our Filbert Street service building are being developed. Construction funds are now available, as explained previously in this report, and we expect to begin work on this important project early in 1955.

On March 10, 1954, the refixtured and redecorated fourth floor of our Philadelphia Store was formally opened. We believe that you as a shareholder in the Company will be interested in visiting this beautiful and completely modern selling floor.

General

On January 20, 1954, our Board of Directors elected Mr. Dwight G. Perkins as its Vice-Chairman. In addition to his new responsibilities, Mr. Perkins will continue as President.

As of February 1, 1954, Mr. G. Stockton Strawbridge, our Executive Vice-President, assumed the operating responsibilities of General Manager.

Our confidence in the future of Philadelphia and its suburban areas is best expressed by our decision to proceed with our present improvement program. However, it is quite possible that 1954 may be a trying year for all retailers. The transition from a seller's market of short supply to a buyer's market of abundant supply, has now been completed; but we have a fine organization, loyal and efficient, and your management is confident of its ability to meet satisfactorily any problems which might arise.

The Directors join with me in acknowledging our Store Family's contribution to the successful year just concluded, and such success as we may enjoy in the future will be due primarily to the efforts and skills of these men and women.

FOR THE BOARD OF DIRECTORS

Dwight G. Perkins

President.

APRIL 8, 1954

ERNST & ERNST
PHILADELPHIA

To the Stockholders of
Strawbridge & Clothier

We have examined the statement of financial condition of Strawbridge & Clothier as of January 31, 1954, and the related statements of income and expense, and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination and report for the year ended January 31, 1953.

In our opinion, the accompanying statement of financial condition and related summary of income and statement of stockholders' investment present fairly the financial position of Strawbridge & Clothier at January 31, 1954, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Ernst & Ernst
Certified Public Accountants

March 26, 1954

To the Stockholders

The financial statements contained in this report are correct to the best of my knowledge and belief.

Donald C. Mills

Treasurer
Strawbridge & Clothier

April 8, 1954

Statement of Fi

STRAWBRIDG

ASSETS	*January 31, 1954*	*January 31, 1953*
Current Assets		
Cash	$ 2,326,930	$ 1,953,912
Accounts receivable:		
Customers:		
Charge accounts	11,652,926	11,054,685
Installment accounts	4,311,394	3,777,906
Suppliers	324,993	413,524
	$16,289,313	$15,246,115
Less allowance for loss	425,000	425,000
	$15,864,313	$14,821,115
Merchandise inventories (Note A)	8,042,595	7,995,814
TOTAL CURRENT ASSETS	$26,233,838	$24,770,841
Other Assets		
Cash reserved for property expansion	1,600,000	0
Miscellaneous accounts receivable and advances	74,886	41,431
Sundry investments—at cost	224,991	224,991
	$ 1,899,877	$ 266,422
Less allowance for loss	25,000	25,000
	$ 1,874,877	$ 241,422
Property, Fixtures, and Equipment—At cost		
Land, buildings, and equipment	27,599,879	27,323,705
Less allowance for depreciation	10,966,587	10,221,866
	$16,633,292	$17,101,839
Construction in process	781,189	0
	$17,414,481	$17,101,839
Deferred Charges		
Prepaid expenses	282,882	280,369
Supply inventories	219,761	250,855
	$ 502,643	$ 531,224
TOTAL ASSETS	$46,025,839	$42,645,326

See accompanying "Not

LIABILITIES AND STOCKHOLDERS' INVESTMENT	*January 31, 1954*	*January 31, 1953*
CURRENT LIABILITIES		
Term note installments maturing within one year (Note B)	$ 501,773	$ 494,326
Accounts payable	3,780,942	3,542,311
Accrued accounts	966,568	905,902
Pay roll taxes and taxes withheld from employees	211,348	207,915
Federal, state, and local taxes—estimated	2,937,198	2,834,263
Deposits on U. S. Savings Bond subscriptions	28,862	38,564
Dividends payable	166,000	158,096
TOTAL CURRENT LIABILITIES	$ 8,592,691	$ 8,181,377
TERM NOTES PAYABLE (Note B)		
To banks—amounts due after one year	1,033,992	1,535,765
To banks and insurance company—due in periodic installments beginning March 1, 1955	2,400,000	0
	$ 3,433,992	$ 1,535,765
RESERVES		
For income taxes on installment sale gross profit (deferred for tax purposes)—estimated	791,000	685,000
For deferred compensation and contingencies	75,000	94,850
	$ 866,000	$ 779,850
TOTAL LIABILITIES	$12,892,683	$10,496,992
STOCKHOLDERS' INVESTMENT		
Capital stock:		
$5.00 Cumulative Preferred Stock, par value $100.00 per share, redeemable at $105.00 per share—at January 31, 1954, authorized 88,947 shares; outstanding 80,604 shares, after deducting 1,842 shares in treasury (outstanding at January 31, 1953, 82,207 shares) (Note C)	8,060,400	8,220,700
Common Stock, par value $5.00 per share—authorized 700,000 shares; outstanding 664,001 shares (outstanding at January 31, 1953, 632,382 shares) (Note D)	3,320,005	3,161,910
Capital in addition to par value of shares	2,219,106	1,715,738
Earnings retained for use in the business	19,533,645	19,049,986
TOTAL STOCKHOLDERS' INVESTMENT	$33,133,156	$32,148,334
	$46,025,839	$42,645,326
LONG-TERM LEASE COMMITMENTS (Note E)		

to Financial Statements"

Statement of Stockholders' Investment

STRAWBRIDGE & CLOTHIER

	Year Ended	
	January 31, 1954	*January 31, 1953*
CAPICAL STOCK		
Preferred Stock:		
Balance at beginning of year	$ 8,220,700	$ 8,394,500
Less shares acquired during year	160,300	173,800
	$ 8,060,400	$ 8,220,700
Common Stock:		
Balance at beginning of year	$ 3,161,910	$ 3,011,345
Stock dividend	158,095	150,565
	$ 3,320,005	$ 3,161,910
CAPITAL IN ADDITION TO PAR VALUE OF SHARES		
Balance at beginning of year	$ 1,715,738	$ 1,210,173
Excess of amount charged against earnings retained for use in the business over the par value of Common Stock issued as stock dividend	505,904	511,921
	$ 2,221,642	$ 1,722,094
Deduct premium paid on acquisition of $5.00 Cumulative Preferred Stock for treasury	2,536	6,356
	$ 2,219,106	$ 1,715,738
EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	$19,049,986	$18,616,653
Add net earnings for the year	2,217,726	2,143,260
	$21,267,712	$20,759,913
Deduct:		
Cash dividends on Preferred Stock ($5.00 per share)	406,176	415,131
Cash dividends on Common Stock ($1.00 per share)	663,892	632,310
Stock dividend declared February 18, 1953 (one share of Common Stock for each twenty shares outstanding): Paid March 19, 1953—31,619 shares on the basis of $21.00 per share; paid March 20, 1952, 30,113 shares on the basis of $22.00 per share	663,999	662,486
	$ 1,734,067	$ 1,709,927
EARNINGS RETAINED FOR USE IN THE BUSINESS	$19,533,645	$19,049,986
TOTAL STOCKHOLDERS' INVESTMENT	$33,133,156	$32,148,334

See accompanying "Notes to Financial Statements"

Summary of Income

STRAWBRIDGE & CLOTHIER

	Year Ended	
	January 31, 1954	*January 31, 1953*
Income before deducting interest, depreciation, and provision for income taxes	$ 5,689,597	$ 5,390,208
Deduct:		
Interest	120,502	88,905
Depreciation and amortization	768,369	684,043
	$ 888,871	$ 772,948
INCOME BEFORE TAXES ON INCOME	$ 4,800,726	$ 4,617,260
Taxes on income:		
Provision for the year—estimated:		
Federal normal tax and surtax	2,262,000	2,170,000
State income tax	215,000	210,000
Income taxes on installment sale gross profit (deferred for tax purposes)	106,000	94,000
	$ 2,583,000	$ 2,474,000
NET EARNINGS	$ 2,217,726	$ 2,143,260

See accompanying "Notes to Financial Statements"

Notes to Financial Statements

STRAWBRIDGE & CLOTHIER

NOTE A—Inventories of merchandise on hand and in transit are priced at cost on the last-in, first-out basis, determined under principles and by the use of published indices of price changes approved by the Commissioner of Internal Revenue with respect to department stores generally. Such basis of pricing resulted in aggregate amounts for inventories at January 31, 1954, and January 31, 1953, approximately $2,085,000 and $2,119,000, respectively, less than the amounts which would have been determined under the retail inventory method applied without regard to last-in, first-out principles.

NOTE B—The balance of $1,033,992 of one term note payable to banks, exclusive of current installments of $501,773, is due March 1, 1955. All provisions of that loan agreement have been complied with.

Under another loan agreement with an insurance company and a bank, dated October 30, 1953, providing for a total credit of $6,000,000, the Company at January 31, 1954, had borrowed $2,400,000. The balance of the credit is available to the Company anytime prior to December 1, 1954. The amount of the loan at December 1, 1954, will be payable in quarterly and semi-annual installments, beginning March 1, 1955, over a period of fifteen years. This loan agreement provides, among other things, that while the note remains unpaid the Company will maintain minimum working capital of $10,000,000, and that the aggregate after January 31, 1953 of payments of dividends (other than dividends paid in capital stock of the Company) and purchases of capital stock will not exceed the sum of $4,000,000 plus the amount of earnings accumulated after January 31, 1953.

NOTE C—Sinking fund provisions of the $5.00 Cumulative Preferred Stock require that on April 1st of each year the Company shall redeem shares of such class of stock in an amount of par value equal to two per cent of the greatest amount at any time outstanding after February 1, 1948, and prior to the date of such redemption. In compliance with such provisions 1,800 shares of the $5.00 Cumulative Preferred Stock were retired on April 1, 1953.

Dividends on the $5.00 Cumulative Preferred Stock have been paid to January 2, 1954, a dividend date.

NOTE D—On February 24, 1954, the Board of Directors declared a dividend on Common Stock, payable in shares of Common Stock at the rate of one dividend share for each 20 shares outstanding. The dividend shares, 33,201 in number (including scrip for fractional shares), were issued on March 25, 1954. In connection with this dividend the Board of Directors authorized transfers from Earnings Retained for Use in the Business to (a) Capital Stock, the sum of $5.00 (par value) for each dividend share and (b) to Capital in Addition to Par Value of Shares, the sum of $17.00 for each dividend share.

NOTE E—At January 31, 1954, the Company was lessee under four leases on store properties with terms, if renewal options are exercised, of not less than twenty-five years from the above date in each case. The annual rentals under these leases are conditional upon sales. The aggregate minimum rentals under three leases are $190,000 per annum; the minimum under the fourth lease has not as yet been determined.

Ardmore

Jenkintown

Wilmington